



Calhoun: The NPS Institutional Archive

Faculty and Researcher Publications

Faculty and Researcher Publications

2008-05

Reorganizing U.S. Government Democracy Promotion Efforts

Bruneau, Tom

<http://hdl.handle.net/10945/42158>



Calhoun is a project of the Dudley Knox Library at NPS, furthering the precepts and goals of open government and government transparency. All information contained herein has been approved for release by the NPS Public Affairs Officer.

Dudley Knox Library / Naval Postgraduate School
411 Dyer Road / 1 University Circle
Monterey, California USA 93943

<http://www.nps.edu/library>

REORGANIZING U.S. GOVERNMENT DEMOCRACY PROMOTION EFFORTS

**Report of a Conference Held at Stanford University
Center on Democracy, Development, and the Rule of Law
May 8-9, 2008**

PARTICIPANTS

Gordon Adams
American University

Tom Bruneau
Naval Postgraduate School

Tom Carothers
Carnegie Endowment for International Peace

Scott J. Carpenter
The Washington Institute for Near East Policy

David Denehy
The Denehy Group

Larry Diamond
Hoover Institute

Jean Geran
U.S. Department of State

Carl Gershman
National Endowment for Democracy

Desha Girod
CDDRL, Stanford University

Richard Hoffman
Naval Postgraduate School

Jerry Hyman
Center for Strategic and International Studies

Erik Jensen
CDDRL, Stanford University

Jim Kolbe
The German Marshall Fund of the United States

Steve Krasner
CDDRL, Stanford

Sally Kux
U.S. Department of State

Michael McFaul
CDDRL, Stanford University

Thomas Melia
Freedom House

Abbas Milani
Stanford University

Richard Morningstar
Stanford University

Eric Morris
Stanford University

Jessica Piombo
Naval Postgraduate School

Maria Rendon
World Bank Group

Smita Singh
The William and Flora Hewlett Foundation

Alex Sokolowski
USAID

Chris Starling
Stanford University

Kathryn Stoner-Weiss
CDDRL, Stanford University

J. Alexander Thier
United States Institute of Peace

Harold Trinkunas
Naval Postgraduate School

Jeremy Weinstein
Stanford University

Jennifer Windsor
Freedom House

Ken Wollack
National Democratic Institute for International Affairs

PREFACE

In May 2008, Stanford University's Center for Democracy, Development, and the Rule of Law (CDDRL) brought together 31 leading scholars and policymakers to discuss the reorganization of the United States government's democracy promotion efforts.

The purpose of the conference was to consider what could be done to improve the United States government's efforts to promote democracy abroad. Participants were asked to assess various policy options and generate candid analysis and constructive recommendations about the potential options.

This report summarizes many of the key arguments, suggestions, thoughts, and ideas that arose out of the two-day conference. It is offered in the hope of contributing to an understanding of current U.S. democracy promotion techniques and the options for improving upon these efforts in the future.

The conference was conducted under the Chatham House rules. All of the remarks were not for attribution. Consequently, this report does not quote any of the participants by name. Moreover, the recommendations are not necessarily indicative of a consensus among the participants. Some of the recommendations had broad support; others represent some significant stream of opinion. No individual listed as having participated, however, should be presumed to have endorsed any particular recommendation.

PROMOTING DEMOCRACY IN UNFREINDLY

AUTOCRATIC REGIMES

The United States uses several government agencies (notably the State Department through DRL, NEA, and MEPI, and USAID), as well as other entities with substantial government funding (including the National Endowment for Democracy and the Asia Foundation), to support democratization programs in unfriendly autocratic regimes. Despite the multiplicity of agencies and their varying degrees of distance from the USG, critics have charged that the recipients of these funds incur reputational damage and face real threats at home. Some have been arrested. Others are denounced as CIA agents or lackeys of the Bush Administration. Some reputable democracy and human organizations therefore have refused to apply for such funding, fearing retribution by local intelligence authorities or wanting to avoid the reputational costs associated with taking money from the U.S. government.

This issue is not new, although the administration's effort to promote democracy in the Middle East through MEPI, housed at State Department, has focused attention on this challenge. Of course, no amount of bureaucratic reorganization will "solve" this problem. But some configurations may be better than the status quo.

Recommendations:

1. Create a New Middle East Foundation/ Grow Existing Regional Foundations

In place of MEPI, establish a new Middle East Foundation modeled after the Asia Foundation or Eurasia Foundation. Once established, redirect all DRL funds earmarked for the Middle East to this new Foundation. Funding for countries outside the Middle East could be channeled through already established regional foundations.

○ Advantages:

- MEPI is in danger of losing its funding. Some within the State Department, as well as some advisors to current presidential campaigns, would like it to be closed down completely. Even if MEPI did survive a change in administration, the new leadership at

NEA might change the nature of the programming in ways that do not promote democracy. (Some believe that such a change in direction has occurred already.)

- Creating an independent entity would insulate the foundation from these changes and also begin to cultivate a professional staff at the new foundation whose sole focus was democracy promotion and not other foreign policy issues that diplomats must also address. While this form of assistance would still be U.S. government money there would be more distance between the U.S. government and the recipients.
- With financial support from the government but their own boards, staffs, and decision-making capacity, these kinds of organizations can be fully devoted to democracy promotion and not have their programs' decisions tied up in trade negotiations or arms control agreements.
- Over time, this new foundation could attract private funds as well as support from other democratic governments.

○ *Disadvantages*

- A new foundation will encounter the same funding constraints that the already reestablished regionally-focused foundations now face. If funded as a stand-alone line item in the budget, rather than as part of the State Department's total budget, this new foundation will have to fight for renewed appropriation every year. NED already exists.
- Divesting NEA and DRL from the democracy promotion business will decrease the State Department's attention to democracy issues. Eliminating DRL's Human Rights Democracy Fund would weaken this bureau's power and reputation in relation to the other bureaus in the Department.
- The existing regional foundations focus on many issues beyond democracy promotion. Some complain that they have softened their approach over the years in order to continue to work in countries like Russia and China. Giving such foundations more money to work on democracy assistance, therefore, would be counterproductive.

2. *Increase NED funding*

Instead of creating a new entity for the Middle East, simply transfer all MEPI and DRL funds to NED.

○ *Advantages*

- NED already exists, has a well-established track record for delivering civil society assistance, and is not afraid to support human rights groups, NGOs, or democratic movements in autocratic regimes.
- NED also already works in the Middle East.

○ *Disadvantages*

- Beyond the four core institutions (NDI, IRI, CIPE, and Solidarity Center), other American NGOs in the democracy promotion business do not receive support from NED but do currently receive grants from MEPI and DRL.
- In growing larger, NED might lose its unique style of operation.
- Over time, the total budget for democracy promotion might decrease as it is easier to cut the budget of one organization rather than several.

1. *Create Regional Bureau Assistance Coordinators in the Department of State*

The way forward needs to be handled by Congress giving legislative authority to each regional bureau in the Department of State by creating “Assistance Coordinators” within each region. Each assistance coordinator would be charged with coordinating all policy initiatives in their region.

○ *Advantages*

- This prevents the State Department from removing/ignoring democracy promotion objectives in any region.
- This option also promotes the idea of pluralism and allows each regional bureau to create and implement a central strategy specified to their individual region.
- By giving more authority to regional bureaus, the State Department can overcome the concerns that DRL is an impediment to regional objectives.

- *Disadvantages*
 - There is not a great deal of evidence that the core of people in the State Department have ever put democracy promotion as a top priority. Giving more power to the Department of State is a very risky and unrealistic approach to promoting democracy.

2. ***Move All Funding for Democracy Promotion out of the State Department***

The more democracy promotion is tied to the U.S. government, the more we are tying our own hands. We now have many U.S. government entities handling NGOs and it is increasingly becoming a more state centered democracy promotion scheme. It is important to create distance between U.S. foreign policy and democratic transitions in foreign countries because it does not look right to have the U.S. government telling civil society groups in foreign countries to rebel against or question their own governments. One way around this is to move all funding for democracy promotion out of the State Department and encourage other facets of U.S. society to engage in democracy promotion.

- *Advantages*
 - Friendly tyrants have become a big category of aid recipient from the State Department and this raises questions about the consistency and motivations of the United States government. Moving funding for democracy promotion out of the State Department would reduce skepticism surrounding the dispersal of democracy promotion funding.
 - When the State Department supports domestic groups for their own policy objectives, it can undermine the intentions and effectiveness of the domestic group. Detaching democracy promotion funding from the State Department would help domestic groups to maintain their credibility.
 - The State Department does not have mechanisms for learning much about domestic groups so they frequently hire U.S.-based organizations. Moving democracy promotion funding out the State Department would decrease the number of grants given to U.S.-based organizations and allow more funding to get to domestic groups.
 - It is not clear that State Department should be involved in giving out small grants for democracy promotion because it is ineffective at monitoring its grantees. Small grant funding should, therefore, be moved to an organization more capable of accounting for its grants.

- Our diplomats are moving away from the power of diplomacy and are becoming grants managers. Managing these grants takes away from the time diplomats should be spending connecting with people in foreign countries. Moving grants out of the State Department would allow diplomats to focus more on their diplomatic role.
- We need more American organizations going abroad and working with their foreign counterparts. Moving democracy funding out of the State Department would allow more Americans to establish relationships across borders.
- *Disadvantages*
 - It is almost impossible to separate U.S. organizations from U.S. money, even with programs like NED, because the money is still coming from the U.S. government.
 - We cannot remove the State Department from the democracy promotion equation because in order to be effective there needs to be some form of overall coordination. Without any authority or mandate there will not be effective coordination.

3. *Maintain the Status Quo*

- *Advantages*
 - Without the creation of MEPI, USAID and NED would not get nearly the same amount of funding for the Middle East that they do today.
 - The U.S. government has developed a micro-managing role because policy makers believe that these programs are important and they don't see traditional actors doing them.

CONDITIONING DEMOCRACY (AND DEVELOPMENT) ASSISTANCE
IN TRANSITIONAL COUNTRIES:
THE MCC AS A PHILOSOPHICAL AND ORGANIZATIONAL SOLUTION

Most of the countries in the developing world fall into the category of “transitional” whether measured in terms of economic development or democracy. In 2006 Freedom House assessed 90 countries to be free and 58 to be partially free including industrialized countries. These partially free countries are the conventional targets of foreign assistance, including democracy assistance.

No assessment of democracy assistance can escape the sobering conclusions about foreign assistance in general. Despite many billions of dollars and the sustained attention of thousands of PhD’s in the World Bank, academia and elsewhere, it is not clear that foreign assistance has done any good at all. Some have argued that by breaking the relationship between a government and its own people, it has actually done harm. Our knowledge about what works in the area of foreign aid is woefully limited. Past conventional wisdoms about the financing gap and human capital have not been supported by experience. The argument that good governance is necessary for development has some but not decisive empirical support. The recent enthusiasm for experimental designs by economists and political scientists reflects the failure of more macro-level analysis to provide compelling policy prescriptions. If foreign assistance, including democracy assistance, was a company, it would have gone into bankruptcy twenty years ago.

Just the opposite has happened, however. Calls for industrialized countries to commit 0.7 percent of their GDP to foreign assistance have increased rather than diminished. Europe and the United States remain committed to promoting democracy. The level of foreign assistance is going up not down. Under the Bush administration it has more than tripled for the United States.

Thus, we are engaged in an enterprise with a noble purpose, promoting democracy and development, for which significant resources are available, and about which we have only very limited knowledge. Under these conditions it is hardly surprising that there is disagreement about the right organizational structure.

Recognizing these realities, the Bush administration created the Millennium Challenge Corporation. The MCC was premised on the view that aid could not promote sustained economic growth unless a country was relatively well governed. The importance of good governance had been substantiated by a number of studies especially by scholars working at the World Bank. Moreover, some evidence suggests that aid does work well when it is spent in countries that are already on the right track.

MCA/MCC funds are allocated on the basis of ex ante conditionality. Countries must demonstrate their commitment to governing justly, investing in people, and promoting economic freedom by scoring relatively well on sixteen third party quantified indicators before gaining eligibility for assistance. This emphasis on ex ante conditionality is motivated by the fact that traditional conditionality has not worked effectively in practice.

Three of the six governing justly indicators are measures of democracy. The administration limited its own freedom of action by adopting a transparent set of indicators over which it had no control as the basis for aid allocations (although the threshold program has permitted strategic considerations to enter the process to a limited degree). The MCC also insists that potential recipient countries present a compact proposal for how funds are to be used and that the process for developing this compact be inclusive.

A number of options were considered for housing the MCA including making it a part of USAID. The decision to create a new government corporation reflected the administration's reservations about USAID in general including its ability to manage a foreign assistance program that departed from conventional approaches.

The MCC got off to a slow start. Congress, which had provided no year money for the MCC grew impatient, especially because funds were accumulating in the MCC's account. The initial promise of a \$5 billion program by FY 2006 has not been realized. The MCC is currently operating on \$2 billion a year.

Recommendations:

1. Expand the MCC, even if at the expense of traditional development assistance programs administered by USAID.

○ *Advantages*

- More than any other aid program in the world, the MCC has more successfully operationalized the view that sustained economic growth requires good governance.
- There is a large body of literature in the social sciences, indeed all of economics, which suggests that incentives work. In the area of democracy promotion, the lure of EU membership for many post-communist countries offers a compelling example of this strategy. By using ex ante conditionality, the MCC, has created an aid driven incentive program. There is some evidence that countries are changing their policies to enhance their chances for MCC eligibility.
- The MCC has not been as successful as it might have been because it is only a partial program and, therefore, does not have a great deal of leverage. Expanding the MCC would allow it to operate more effectively.
- Conditional aid compels governments to listen to their citizens and helps to empower domestic groups and activists.

○ *Disadvantages*

- We do not know yet whether the MCC works; i.e. whether the provision of non-trivial amounts of additional aid to better governed countries will increase levels of economic growth
- The MCC's evaluation process is ineffective for promoting democracy and development. The most significant problem is that countries are graded on a curve. If most countries receive very low scores, then the MCC rewards any country that is doing even slightly better than the rest. Instead, the MCC should hold all countries to high standards and only reward countries that meet those standards.

- The MCC's evaluation process is not comprehensive and does not capture all the conditions for a transition to democracy (i.e. Indonesia has made significant improvements with democracy but those are not encapsulated in the MCC guidelines). The MCC evaluation system needs to be far more transparent.

2. Expand the MCC principle of ex ante conditionality to all other assistance agencies, including most especially USAID.

In addition, also expand MCC benchmarks to all other types of regimes, which receive US assistance, and not just threshold countries. Economic aid to Egypt, for instance, would be conditional on meeting certain economic and political benchmarks. The benchmarks for non-threshold countries would be different (i.e. lower) but would still exist and would still tie the hands of assistance providers. In short, make ex ante conditionality the main method of promoting democracy and good governance, cutting back on investments in traditional strategies of democracy promotion. It is not necessary for democracy to be a fixed condition for assistance. By creating conditions for controlling corruption and forming an independent judiciary, countries are going to find their way to democracy. Not having democracy mandated will make democratization happen much faster. In order for conditional aid to be effective, donors need to be willing to enforce conditions from the start.

Also consider leading an effort to make ex ante conditionality a guiding principle for other bilateral and multilateral aid agencies to ensure that the incentive for reform is a powerful one.

○ Advantages

- Conditional aid will have the byproduct of setting standards for democracy and obligating countries to achieve them.
- Unconditional aid is also at risk of getting captured by the government and never reaching those who it was intended for. For example, in Pakistan no aid has been used for political reform and only 1 percent has gone to development, while the rest has been spent on the military. Conditional aid will increase the likelihood that aid will reach its intended targets.
- Conditional aid can be very effective when given by multilateral donors because they often have specific objectives.

- *Disadvantages*

- Conditional bilateral aid is ineffective at stimulating reform because foreign leaders realize that the aiding country has more than one objective. For example, the leadership in Afghanistan has realized that the United States government cares more about keeping them in power than in creating democracy, so there is little incentive to reform.

3. *Continue to provide economic aid to strategic countries and weak failing states, irrespective of progress on economic development or political reform.*

This kind of assistance must be separated from assistance designed to achieve development goals. Perhaps an independent fund could be established for such assistance (both strategic aid and humanitarian assistance), housed at the State Department instead of USAID or MCC.

- *Disadvantages*

- Unconditional aid or aid driven by other reasons than development has actually done harm to people by entrenching in power governments that are not accountable to their own people (i.e. Museveni). Governments that get vast flows of unconditional aid are freed from their obligations to their own people.

4. *Shut down the MCC experiment.*

At a minimum make it clear that MCC is not designed to promote democracy.

- *Advantages*

- It is not clear that the MCC is effective. For example, a number of countries that originally met the MCC requirements have since fallen below the standards after receiving MCC aid.
- MCC funds are not always used to promote democracy and development. The MCC does not focus strictly on its development standards and its funds are sometimes used to promote U.S. policy. This is exacerbated by the fact that many ambassadors are not interested in promoting democracy.

5. *Maintain the Status Quo*

REFORMING CIVIL SOCIETY

After more than two decades of assisting civil society abroad, the relationship between this foreign assistance and democratic development is still poorly understood. A most extensive survey by Finkel, Perez-Linan, and Seligson (2007) has identified a statistical relationship between USAID expenditures on democracy and governance on the one hand and democratic development around the world on the other. For those in the democracy promotion business, this is good news. Finkel, Perez-Linan, and Seligson also discovered some sub-sectoral correlations between assistance and outcomes, finding that a positive relationship exists between USAID spending on elections, civil society, and governance on the one hand and these sectors in developing democracies on the other, but a negative relationship exists between spending on USAID spending human rights and democratic development. Finkel, Perez-Linan, and Seligson, however, do not breakdown sub-sectoral spending, and therefore have no evaluation of which kinds of civil society programs work better than others. Regarding impact, most qualitative studies done at the sub-sectoral level or looking at only one dimension of these sub-sectors (i.e. assistance to women's organizations or environmental groups rather than civil society as a whole) are much more critical.

In addition to not having good assessments, the USAID bureaucracy for providing civil society has grown considerably. In a typical country, a D&G director overseas four sub-sectors. Each subsector has a program officer, including one for civil society. This program officer monitors an "implementer", which in the case of civil society development, is often a contractor that provides small grants. This contractor then provides the direct assistance to the local NGOs. All of these activities are monitored by parallel structure by in Washington.

Recommendations:

1. Establish better assessment procedures.

A new institute or mandate to implement more effective evaluation procedures should be established within the State Department. More effective assessment procedures will help to increase knowledge and expertise in the areas of democracy and development. In addition, the creation of new evaluation procedures would help to end the practice of USAID contractors receiving contracts to evaluate USAID programs.

○ Advantages

- While both USAID and the State Department have preformed democracy promotion evaluations in the past, thus far their assessment processes have been highly inconsistent. Without common performance evaluation systems, there is no way to effectively compare programs or develop program expertise. By creating more consistent assessment procedures both USAID and the State Department can hope to gain greater expertise in the area of democracy promotion in order to more effectively promote democracy abroad.
- These organizations are spending taxpayers money and they should be accountable for how that money is being spent.
- USAID has already preformed a variety of Democracy and Governance assessments, however, it has not done a good job of getting these assessments out to the broader public. Improved assessment procedures would ensure that such evaluations are better distributed and analyzed.

○ Disadvantages

- Those in the democracy promotion business are already very risk averse. No one wants to fail or find something that doesn't work because they are afraid that they will be penalized, so people do not experiment. Creating stricter evaluation procedures will only further decrease innovation and risk taking.

2. In place of USAID offices overseeing civil society development, move to a foundation model.

A foundation for civil society development would be established in Washington, with branches/partners in all countries where the United States currently provides civil society assistance. This new foundation would receive direct funding from the United States government, but act independently from USAID or the State Department. This new Civil Society Foundation would make grants both to local NGOs and to American NGOs in the business of providing assistance to civil society.

In parallel, a new institute for evaluation would be established, either as a stand alone organization in Washington or as part of a university. The creation of an evaluation institution dedicated solely to evaluation would help to end the practice of USAID contractors receiving contracts to evaluate USAID programs. Without more effective assessment procedures it will be very difficult to establish any expertise in these areas.

- *Advantages*

- We need to move away from a government centered democracy promotion scheme. Right now, the U.S. government is very involved in the implementation process and the handling of NGOs, and this is undermining the effectiveness of democracy promotion efforts.
- This new structure would create more distance between the U.S. government and democratic assistance activities. (It is a paradox of current US democracy promotion efforts that a single government entity – USAID – provides the lion’s share of assistance to civil society. When a foreign government tries to play this role – say the Russian government today – we call it undemocratic as the Russian government funding blurs the lines between state and society.)
- This new structure would also eliminate the practice of the U.S. government providing direct assistance to the non-governmental sector in foreign countries, a practice that many governments find unethical and a violation of their sovereignty. USAID would still be responsible for all direct assistance to government institutions, including parliaments, election commissions, courts, and presidential administrations. Having this separation would eliminate the strange circumstance of having the same D&G office funding one government office that is at odds with a civil society organization also funded by the same D&G office (i.e. providing

technical assistance to a central election commission at the same time as providing funding to civil society organization trying to monitor elections).

- Over time, this new structure would cultivate greater professional expertise in civil society development. Whole career could be spent in this new foundation's structure.
- This new structure would eliminate a lot of the overhead now spent in maintaining the current chain of intermediaries. This new structure also would create more direct contacts between those Americans who are designing civil society programs and those in foreign countries who are supposed to be benefiting from this assistance.
- Democracy promotion is more effective when it is pursued from a bottom-up rather than top-down approach. A foundational model for democracy promotion would support a more bottom-up approach to democracy promotion.
- This new structure would protect direct assistance to NGOs from the ups and downs of U.S. foreign policy. When the White House decides to cut foreign assistance to a country to change its behavior at home or abroad, U.S. funds earmarked to promote democracy through nongovernmental actors must not be part of the conditionality.
- Democracy promotion is starting to be seen as a U.S. government's niche and private foundations and individuals are starting to stay away from it. A foundational model would increase private individual support for democracy promotion.

○ *Disadvantage*

- The argument that USAID maintains excessive control over civil society funding is flawed. First, USAID is only the donor, not necessarily the provider or implementer in many cases. Second, the United States government has system and procurement mechanisms such as grants and cooperative agreements that largely separate the money from operational decision making. This allows implementers like Freedom House, IRI, NDI to essentially maintain effective control over their programs and maintain a high degree of independence. When making grants there is always a tradeoff between control and oversight on one hand and independence of democracy promoting NGOs on the other. While greater independence for NGOs and civil society groups may be

desirable, it is important to recognize the realities of such a tradeoff.

- This new foundation structure would compete with existing foundations already doing similar kinds of activities (i.e. Asia Foundation, Ford Foundation, NED). At the same time, this already occurs.
- Two structures – the current USAID office in country X and the new foundation in the same country – might create more overhead expenses, not less.
- USAID would be weakened considerably by losing control of this portfolio.
- Creating a civil society foundation would undermine the political dimension of these groups and make them far less effective.
- There is no need for yet another assistance organization. Proliferation of democracy promotion institutions will only break down efficiency and coherence. What is needed is better coordination between the departments that already exist (i.e. USAID and the State Department).

3. *Mandate that all USAID assistance earmarked for civil society support be provided through “Assistance Mechanisms” (grants and cooperative agreements) and not “Acquisitions Mechanisms” (contracts).*

The latter, in essence, makes the contracting organization or company an implementer of U.S. government policy. The NGO or company receiving these funds is executing a USAID plan and not providing any strategic input. In some sensitive political situations, this form of direct assistance can make the recipients of USAID assistance look like collaborators or agents of the U.S. government. The Assistance Mechanism provides greater autonomy from the U.S. government and also leverages more effectively the expertise of the American NGOs receiving the funds.

The revolving door between USAID and contractors must be broken. Former USAID employees should not be allowed to bid on or execute USAID

contracts for two years after leaving the U.S. government. Companies and NGOs that implement USAID programs cannot also accept USAID contracts to evaluate USAID programs.

To strengthen the place of democracy promotion within USAID, establish a Deputy Administrator for Democracy and Governance. In so doing, the current Bureau for Democracy, Conflict, and Humanitarian Assistance should be restructured to separate its Democracy and Governance sector from its Humanitarian and anti-Conflict sectors. Since Humanitarian Assistance and anti-Conflict are so central to much of what USAID does (and are the reason for the de-emphasis of Democracy and Governance in the first place), this separation would help to create a more focused and prioritized approach to democracy promotion within USAID.

In most cases, for profit companies should not be allowed to bid to do civil society assistance work.

For civil society work, stop the practice of bundling aid projects into a single cooperative agreement and move away from Indefinite Quantity Contracts (IQCs).¹

- *Advantages*

- In many situations, contracts and funding go to large for-profit organizations that speak English and know how to write appealing proposals. Because of this, smaller local NGOs are frequently overlooked. Creating an organization to deal specifically with NGOs would ensure more funding for innovative local organizations. The State Department and USAID need to move away from providing funding through contracts and focus on distributing funding through grants in order to better support innovative local NGOs.
- Less reliance on for-profit contracts would reduce excess spending in both the State Department and USAID.

¹ For details on this practice, see “ACVFA’s Analysis and Recommendations of Trends in USAID Implementation Mechanisms,” mimeo, July 2007, p. 4.

IMPROVING DEMOCRACY ASSISTANCE TO NEW DEMOCRACIES:

THE “F” PROCESS

The current organizational structure for foreign assistance is a hodge-podge. There are nineteen different foreign assistance accounts in State and USAID. There are twenty different agencies that have some kind of foreign assistance programs. Lines of authority are blurred. The Administrator of USAID, for instance, reports to the Secretary of State, but both the Administrator and the Secretary are members of the MCC Board of Directors.

This organizational jumble reflects: (1) accretion over time with different administrations having different priorities; (2) pressure from societal interest groups whose commitments are almost always to specific functional activities such as education, humanitarian assistance, and treatment for AIDs; (3) the specific concerns of some members of Congress and; (4) the absence of compelling evidence about what works and what does not.

This organizational jumble has had a variety of negative consequences. Perhaps, most importantly, it has stood in the way of coherence in the use of development assistance as a tool of U.S. foreign policy. More concretely, with resources spread so widely, the main vehicle for U.S. development assistance, USAID, has seen its professional competencies eroded, its budgets cut, and its authorities parceled out across the U.S. government.

The F process was an effort to bring greater coherence to foreign assistance activities within State and USAID and to give the Secretary of State greater de facto control over the foreign assistance process. The Secretary created a new office, the Director of Foreign Assistance (DFA), using her existing authorities. The Director of Foreign Assistance (F) was also to serve as the Administrator of USAID. While the DFA is not a Senate confirmed position, the Administrator of USAID is.

The creation of the DFA was as much a political judgment as an organizational one. Anything organizationally more ambitious with regard to coordinating foreign assistance throughout the USG would have required new legislation, and possibly a revision or scuttling of the Foreign Assistance Act. A re-organization of the foreign assistance accounts would also have required major new legislation. No one believed that such legislation was in the offing.

Recommendations:

1. Let a thousand flowers bloom (tweak the status quo).

Although governments like organizational clarity, or at least the appearance of organizational clarity, democracy promotion and foreign assistance in general may be an area where different actors operating with different views in different agencies might be the best that we can hope for. As Easterly and Rodrik have argued, development paths are idiosyncratic. Success is most likely to come from the bottom up, often in unexpected ways. In any event, international donor coordination is a chimera given different national approaches to assistance, differences that reflect the domestic characteristics of donors more than the needs of the countries to which assistance is directed. The jumble of agencies, government corporations, external contractors, and NGOs engaged in supporting democracy may work better than a more structured, coordinated, and coherent system whose programs might map well on to some countries but badly on to others.

○ *Advantages*

- Having multiple players in a field creates competition and stimulates innovation.
- We don't always know what is going to work best in a certain region at a certain time. Having multiple organizations doing different things at different paces can help us understand what works best in certain circumstances.

○ *Disadvantages*

- Creating more organizations will only make an already disconnected process more disorganized.

- Some competition is good, but too many organizations will decrease overall coherence and will create strains on recipient countries, especially those with low state capacity.

2. Create a More Coordinated Structure

Within State and USAID this would mean further strengthening the F process, possibly turning the DFA into a second Deputy Secretary at State. Beyond State and USAID it would entail either moving some foreign assistance programs now in other agencies into the State Department or creating a cabinet or sub-cabinet agency that would have authority over most if not all existing programs. Any effort to create a more integrated and coordinated structure would require re-writing the foreign assistance act. Given that we have to admit that we do not really know what we are doing, would this be worth the effort?

○ Advantages

- The F process takes the sensible approach of attempting to associate different assistance programs to general country characteristics. Security assistance that could be most useful for a post-conflict country, for instance, would be inappropriate for a transformational or MCC eligible country. However, the nineteen foreign assistance accounts do not map neatly on to a strategy that associates different kinds of aid with different country characteristics. By revising the account structure it would be possible to better align funding with needs.

3. Create a Deputy of Democracy and Development to the Secretary of State.

The Deputy of Democracy and Development would oversee all democracy and development projects and report directly to the Secretary of State.

○ Advantages

- Creating a Deputy of Democracy and Development would establish a niche for democracy and development in the State Department. It would also ensure that democracy and development funding was not subject solely to the whim of the Secretary of State.

4. Increase USAID funding and oversight.

Increase USAID's ability to do what it has always done. Currently, USAID has a very wide infrastructure and significantly under resourced. It could become far more efficient with increased funding and personnel. In addition, USAID should be expanded to include development work. USAID has done development work in the past, and with more money and authority it could very successful in this area. There should also be a specific area for democracy promotion within USAID in order to ensure that it is not overlooked within the organization.

- *Disadvantages*

- USAID has not established effective evaluation procedures. Before USAID should be expanded it should develop more expertise and a better system of accountability.

5. *Return to Status Quo Ante*

Eliminate the position of Director of Foreign Assistance at the State Department, return AID's strategic planning back to USAID, and bolster D&G within USAID, i.e. create a Deputy Administrator for Democracy and Governance.

6. *Maintain the status quo.*

- *Advantages*

- Despite much gnashing of teeth and beating of breasts in both USAID and State, the F process has provided greater coherence. It does offer the Secretary of State the opportunity to make judgments about allocations among regions, and within regions, among countries.
- It is important to make sure that taxpayer money is being used to the best of our ability. The "F" process provides the Secretary of State with greater de facto control over the foreign assistance process in order to facilitate the efficient use of funding.
- The F process benefits USAID because it allows USAID to have far more influence over the State Department budget than it has had in the past. Because of this, development has been prioritized in the State Department and it receives far more attention and funding.

- In the past, there has been a serious information gap between USAID and the Hill. The F process has helped to bridge this gap and give USAID a greater voice in the executive branch.
- It is important to have connection between the Secretary of State and USAID because it is difficult it is difficult to implement effect aid programs without the support of ambassadors.
- *Disadvantages*
 - As some have pointed out, the process of creating integrated multi-year country programs has been rocky. The level of guidance that Washington should provide to embassies and the ability of embassies to craft programs is not settled.
 - The F process has had very negative effects on issues of flexibility. Having the government implement more restrictions on NGOs means that little organizations have to spend more of their time and money on meeting those requirements. This makes smaller NGOs more susceptible to getting squeezed out by larger companies who can withstand the costs associated with more requirements.
 - It is possible to have an organization that has good oversight and it not part of the executive branch. NED thrives because it is not part of the executive branch.
 - When the F process was implemented, a lot of USAID personnel were transferred to the State Department and USAID lost a lot of its brainpower. Having the USAID administration spending most of its time at the State Department has greatly undermine the capacity of USAID.
 - The F process is an unnecessary formality. The USAID administration could still report to the Secretary of State and have influence over the State Department's budget without the F process.
 - Allowing the Secretary of State to have so much control over development funding is a serious risk because we do not know how he/she will prioritize this responsibility. The F process may seem like a positive development under our current Secretary of State, however, we can't guarantee that the next Secretary of State will be as invested in promoting democracy and development.

MAKING DEMOCRACY PROMOTION WORK IN CONFLICT AND POST-CONFLICT COUNTRIES

The imperatives of peace and security in the 21st century mean that the promotion of democracy via security assistance to states in post-conflict situations has grown in the past decade as an area of policy and shows every indication that it shall grow further in the years to come. This phenomenon has been driven by the increase in the number of countries with poor and worsening indicators of governance, the persistence of limited democracies or disguised autocracies at the end of the third wave, and the ongoing internal security challenges produced by insurgencies, terrorism, and other illicit actors.² It is also a product of the increased concern among policymakers over long-standing but previously ignored cases of poor governance. This concern among policy-makers over the fate of democracy arises in part out of a perception that globalization has triggered new connections and caused spillover between the problem cases and the well governed parts of the international community. There is also the belief in certain parts of the policy community, particularly in the United States, that poorly governed spaces in post-conflict states are breeding grounds for nefarious actors and illicit power structures.³

There are clearly many cases where democracy assistance and security cooperation in post-conflict states have worked, beginning with the reconstruction of West Germany, Italy and Japan after WWII. More recently, we have witnessed the peace settlements and democratization of Central America in the 1990s, and after many painful false starts, the states emerging from Yugoslavia as well as the more successful record in central and Eastern Europe connected to the enlargement of NATO. During this period, a substantial public/private industry has grown up around providing assistance, ranging from direct government-to-government programs, to aid and advice from international agencies and

² "The Failed States Index," *Foreign Policy* 161 (July/August 2007). Accessed on 15 January 2008 at http://www.foreignpolicy.com/story/cms.php?story_id=3865&page=0.

³ Karen DeYoung, "World Bank Lists Failing Nations That Can Breed Global Terrorism," *The Washington Post*, 15 September 2006, A13. Office of the Undersecretary of Defense for Policy, *Ungoverned Areas and Safe Havens*, Developed by Robert Lamb for the Under Secretary of Defense for Policy through the Ungoverned Areas Project, an interagency project managed by the Deputy Assistant Secretary of Defense for Policy Planning, Department of Defense, Washington DC, January 2008.

non-governmental organizations, to private contractors executing assistance programs at the behest of government agencies. In spite of these efforts, there are a number of critical cases suffering from ongoing conflicts that, despite receiving truly astounding levels of international assistance, nonetheless continue to exhibit some combination of persistent poor governance, limited democratization, and ongoing internal security challenges. Such cases as Pakistan, Colombia, Afghanistan and Iraq are only the most newsworthy examples, but any number of other conflict/post-conflict countries are quietly and persistently misgoverned despite the best efforts of the assistance/donor community.

A skeptic might suggest that all the ‘easy’ cases for democracy and security assistance to post-conflict states have been taken care of since World War II,⁴ leaving only the cases for which there are no easy answers or solutions. This generalization is particularly applied to post-conflict settings, countries with politicized ethnic or cultural cleavages, nations in unstable or threatening regional environments, or those perceived by some as being saddled with democracy-resistant cultures. We should all keep in mind that several of the major success stories in democracy and security assistance occurred in environments characterized by significant external threats and low internal threats. In the wake of the end of the Cold War, changes in the structure of the international system have brought internal security threats to the forefront while external threats have receded. The provision of democracy and security assistance under such conditions is more complex and politically controversial for both donor and recipient states. In addition, certain provider nation-states seem to have embraced a “less is more” approach in the wake of 1989, which contrasts with the comprehensive efforts of the era of the Second World War and the early-Cold War. So the problem may not lie simply with the inability of donor states to organize the appropriate policy responses, rather, there may be cases that are simply structurally resistant to outside assistance and intervention.

⁴ Such a contemporary view ignores how difficult the fate of the ex-Axis countries were in the context of the years 1944-1950, and how many contemporary observers doubted that Allied efforts there would eventuate in anything other than a repeat of the inter-war disasters. The celebration of success is a generalization that only took hold years, if not decades later.

Recent research in social science on post-conflict transitions highlights a number of important empirical regularities that can inform how we think about the proper place of democracy promotion in post-conflict transitions:

- First, decisive victories tend to yield more sustained periods of peace than negotiated settlements (Licklider 1998; Doyle and Sambanis 2000; Toft 2007; Fortna 2008). Decisive victories are often quite undemocratic (as we have seen in recent history in Uganda, Rwanda, and Ethiopia, for example), but often produce security for the population and resume the effective delivery of social services.
- Negotiated settlements, especially when they are accompanied by peacekeeping operations, can also lead to periods of peace, although UN operations need to be extensive and sustained to make a difference (Walter 1997; Doyle and Sambanis 2006). But negotiated settlements tend to involve power-sharing arrangements, at least in advance of the first election, which are prone to a host of pathologies (Roeder and Rothchild 2005). Power-sharing arrangements tend to empower ethnic elites, encourage the continued escalation of claims (for positions and resources), and are hard to maintain as the incentives to defect from them increase over time. They seem, at first, to be a reasonable strategy for stopping conflicts, but they appear to be a weak basis for subsequent democratization.
- Periods immediately following the cessation of hostilities are those in which conflicts are most likely to restart. There is no strong evidence that elections diminish the risk that conflicts will restart (Collier et al 2007). There is some evidence that rapid democratization in the aftermath of conflict actually exacerbates the risk of conflict (Paris 1997); moreover, elections, if indicative of initial movements toward democracy in previously authoritarian countries, also increase the risk of violence (Hegre et al 2000; Fearon and Laitin 2003).
- The ability of democracy to forestall conflict appears to be much weaker in poor countries than in rich countries, as the advantage that democracy has in giving

people a stake in the system is outweighed by the extent to which democracy constrains the ability of governments to fend off challengers militarily (Collier and Rohner 2008).

In short, after more than a decade of post-conflict operations, the experience of promoting democracy in the aftermath of conflict as a means to an end (ie. to generate a more sustainable peace, sustainable post-war reconstruction) has a very mixed record.

Recommendations:

1. Develop mechanisms other than national elections for generating legitimacy.

At the national level, consultative forums, as was tried in Afghanistan, may do the trick; at the local level, giving people a stake in their own governance (and some resources to expend at the community-level in meeting basic needs), may be sufficient in advance of full-scale democracy. That being said, peace, order, and basic services do a great deal for generating popular support (as one can see with the continued reelection of Museveni in Uganda, even as democratic rights are curtailed).

o Advantages

- After a state has completely broken down, moving quickly to elections makes no sense. It is important to first build infrastructure in order to have effective elections.
- Post-conflict elections are dangerous for organizers, candidates, voters, and for the stability of the peace process. They also jeopardize the concept of democracy from taking root. Developing mechanisms other than national elections to generate legitimacy is better for all those involved.
- International engagement is inversely proportional to the legitimacy of elections. Postponing elections until the state has the capacity to support elections on its own will increase the legitimacy of elections.
- In post conflict situations citizens often risk their lives to go and vote, and they have high expectations about the results of those votes. Implementing elections before a state has the capacity to meet the expectations of its citizens will result in

citizens feeling betrayed and disenfranchised, and this plays directly into the hands of insurgents and non-democratic groups.

- By quickly implementing elections, we run the risk of having a poor leader legitimately elected. It is important to build state capacity and create competitive political parties before elections are initiated.
- It is not always the case the elections will generate legitimacy. In post-conflict societies (particularly in the Middle East) citizens are commonly skeptical of elections. They believe elections to be a conspiracy of the West to gain power, rather than a legitimate process for selecting a government. It is important to develop other mechanisms besides elections to generate legitimacy.

○ *Disadvantages*

- In conflict and post-conflict states, sometimes the only way to generate legitimacy for a new government is through elections. Outside forces cannot just impose democracy, citizens will demand to elect their own leaders and the United State government needs to be prepared to meet those demands.
- It is not necessarily true that elections exacerbate tensions in post-conflict states. It is possible to have controlled and organized elections that do not increase national tensions.
- Trying to sequence state-building and elections is an incredibly hard thing to do, especially when you do not have complete control over a situation. Postponing elections only increases the risk of an authoritarian coming power. Without elections there won't be democratic legitimacy.
- Elections are the only way to start getting things done. Delaying elections interrupts the entire reconstruction process.

2. *Focus on local elections rather than national elections to generate legitimacy.*

Quickly implementing national elections in post-conflict states can undermine democracy by polarizing citizens and empowering spoilers.

However, allowing for local elections early on can facilitate democratic legitimacy in a country by meeting national demands for elections and allowing citizens to participate in the democratic process. Implementing local elections can also help to undermine conspiracy theories about the West by allowing citizens to have direct control over their local leadership.

- *Disadvantages*

- Implementing local elections does not necessarily increase credibility for elections or democracy. In fact, local elections can undermine democratic legitimacy by creating local governments that do not have the resources or authority to accomplish anything, making both the government and the election process appear ineffective. This can result in general disillusionment with the democratic process.

3. *Develop better mechanisms for supporting freedom broadly construed.*

On the economic front, these might include special trade provisions for post conflict countries that create the conditions for the growth of an active, independent private sector. They might also include efforts to establish property rights that could increase local capital as Hernando de Soto has suggested. The United States might also place greater emphasis on the protection of basic human rights rather than democracy per se. Assistance could be focused on civil society organizations, even, or especially, organizations that have nothing to do explicitly with politics.

- *Advantages*

- In post-conflict states, citizen's perception of the government is often negative because it has usually been a center of despotism. Even with Western countries patting a new government on the back, it is unlikely that citizens will quickly begin to trust their government. It is important to utilize non-political mechanisms to build state capacity in order to gain public support.

4. *Establish a system of shared sovereignty*

In post-conflict situations, governments have an overwhelming number of tasks to accomplish in order to rebuild their state capacity. While there are some things that governments are very good at accomplishing, there are many aspects

of the reconstruction process that they are less capable of handling. Allowing NGOs to take over some of the tasks that new governments are less equipped to handle can take pressure off a new government and help to speed up the reconstruction process.

- *Advantages*

- NGOs can compliment the work of the government and accelerate the reconstruction process.

- *Disadvantages*

- Brining in NGOs to supplement government work is an untenable and ineffective solution because it will undermine state capacity. Allowing NGOs to do the work of the government will prevent a new government from developing fully and only handicap it in the long run.

5. *Prioritize building state capacity.*

The United States should seek to delay national elections for as long as possible and focus instead on enhancing freedom and liberties, while increasing state capacity in post conflict environments. Francis Fukuyama offers a concise response to the dilemmas outlined above: “stateness first.” If the research is right, civil wars are driven more by the weakness of state governments than the repression of autocracies. So in the aftermath of violent conflict, the first priority must be to create a government with a “monopoly of legitimate power that is capable of enforcing rules throughout the state’s territory” (Fukuyama 2005). This means putting elections, at a minimum, and other democracy promotion efforts more broadly, on the backburner (although, perhaps, there is a place for basic support for media, civil society organizations, and capacity building for the core institutions of government). Resources should be channeled instead toward necessary investments in activities that increase the power and presence of the state in people’s lives: a robust military and police force, investments in public goods, and a focus on basic service delivery. It may also make sense to recognize state power where it exists, such as in Somaliland and Puntland. If groups are

capable of bringing order to a given territory, that may provide the basis for a sustainable transition – a transition that could be up-ended by international attempts to facilitate a negotiated solution (Herbst 2000).

Having individuals within the government who are dedicated to state-building in post-conflict situations is fundamental to our ability to better handle these situations. The U.S. government can radically improve its ability to conduct state-building by narrowing its priorities. The focus should be establishing security, enhancing rule of law and governance procedures, and creating economic opportunities.

- *Advantages*

- Rule of law in post-conflict environments is fundamentally under-resourced; the civilian capacity is non-existent, the United States government does not fund it, nor do they prioritize it. Having an organization focused on state building would ensure that rule of law would be prioritized in post-conflict situations.

6. *Improve US capacity to plan and respond to post-conflict situations.*

The US government is not organized to deliver ‘whole of government’ assistance to other states, and this assistance is often the coordinated and integrated program that complex post-conflict states most need. There is a need for an integrated legal construct defining the roles, missions, functions, and responsibilities of the U.S. government in post-conflict operations. Such a construct would embody the consent of the Congress in that it would be a legislative act, and it would provide clear benchmarks for periodic oversight and review of assistance programs, perhaps in a process similar to the Quadrennial Defense Review, but without overly militarizing the rest of the USG. Resources would have to be made available to other executive branch departments, agencies, and even field missions to enable them to participate effectively in this process, and the process itself would serve to direct the allocation of the additional resources provided. The planning process should be streamlined by realigning the

various regions, bureaus, and Unified Commands into a single coherent system for managing global and regional issues. While implementation would naturally change from administration to administration, at least the outlines of the process and the roles and missions of the institutional players would be codified in law.

The U.S. government also needs a common operating picture for post-conflict assistance. Something similar to the National Intelligence Estimate (NIE) process should be implemented to provide baseline assessments and data for use in developing, evaluating, and coordinating policy options both within the Government and in public. The post-conflict NIE would be used to measure the appropriateness of programs and methods and the effectiveness of assistance implementation. The public outputs of the process would be used to build and maintain political consensus and support both at home and abroad for programs that must be maintained over decades

7. Enhance US capacity to strengthen state functions in post-conflict environments.

If “stateness first” is the goal, recent experience has made abundantly clear that the U.S. is not equipped to deliver on this mission. Many efforts by outsiders to building the capacity of transitional governments yield little in the way of improvements in service delivery, instead resulting in huge corruption scandals that lead governments to be thrown out (ie. the SLPP in Sierra Leone after an extended UN mission) or require ever increasing amounts of outside oversight (ie. the Governance and Economic Management Program in Liberia which mandated foreign co-signatories on government accounts!).

The current thinking in Washington is that this problem can be addressed by making new investments in a civilian rapid response capacity that brings together professionals with expertise in post-conflict issues and has them organized, readily deployable, and armed with lessons learned from past experiences to take up the challenge of state-building missions. There is

something to this plan, and it is hard to imagine that such investments would make things any worse. However, any civilian reserve corps would be deployed only for a limited amount of time.

- *Advantages*

- Civilian groups currently lack the funding and personnel to carryout state-building missions; therefore, these tasks often become the job of the DOD because it has far more resources and capacity to deal with these situations. Investing in a civilian rapid response capacity would remove the job of state-building from the shoulders of the DOD and place it in the hands of professional experts.

8. *Establish greater coherence and clear authority in USG post-conflict activities.*

Because of its central role in Afghanistan and Iraq, the Department of Defense is playing an ever more prominent role in state-building missions. This has led to the creation of new authorities and programs for specific contexts (Section 1206 for counter-terrorism, Provincial Reconstruction Teams and the Commander's Emergency Response Program (CERP) in Iraq, Afghanistan), and a broader recognition of the need for security, stabilization, transition, and reconstruction (SSTR) to be a core mission of the U.S. military with dedicated personnel and resources.

However, the balance between DOD and civilian engagement in post-conflict operations is not quite right. Security is a key aspect of building states, but building public infrastructure, delivering services, and finding ways to empower communities are also essential pieces of the puzzle. Because DOD sits on the resources and assets, it has quickly emerged as the key player within the PRTs and with the CERP program, leaving State and USAID to play secondary roles. But such instruments have disadvantages as well: they are often disconnected from strategic goals, they sometimes sacrifice long-term goals in service of immediate needs, and the investments often yield little or no measurable impact. In most contexts, post-conflict security operations will be led

by the UN or by other lead countries – thus putting U.S. civilian agencies in the lead in providing policy direction and channeling resources.

The Bush administration made some attempts to enhance the role of civilian agencies in post-conflict operations (through the creation of the State Department Coordinator for Reconstruction and Stabilization).. Without, however, the command of budgetary resources, personnel, or hard assets, a State Department Coordinator is hard-pressed to exercise any authority or leadership. There is a pressing need to re-imagine the civilian side of the U.S. foreign policy architecture, providing it with the authorities, resources, and staff capacity it needs to meet these challenges, among others.

- *Advantages*

- The DOD is an excellent source for trained labor to assist experts in post-conflict situations; however, they cannot be expected to do everything on their own. The DOD does not have a great deal of experience in state-building and democracy promotion. There needs to be more civil capacity and legislative guidance to direct the DOD in post-conflict situations.

9. Consider Alternative Paths for State Building and Service Delivery

A willingness to explore more dramatic alternatives to state-building may also be required. Government might contract out sovereignty over specific areas of state activity to what Paul Collier has called independent service providers which could organizations / corporations. GEMAP and the Regional Assistance Mission for the Solomon Islands (RAMSI) are examples of this kind of initiative.

The design of such arrangements would benefit from further thinking and experimentation. Is an international bureaucracy the right way to build capacity for service delivery? Should NGOs and private companies be put in competition to bid for contracts to deliver basic services? To whom should they be accountable? But these ideas go far beyond a corps of ready professionals; they require that policymakers stand ready to re-envision how post-conflict aid is delivered and how much responsibility is vested in transitional governments.

These questions are being explored by the Partnership for Democratic Development which has been established under the auspices of the OECD and UNDP and includes both OECD and non-OECD states.

Given that the involvement of external actors can break the relationship between a government and its own citizens consider allocating foreign assistance directly to the citizens of a country rather than to the government.

Consider making membership in international organizations including the IFIs conditional on a state's behavior. This would mean that the international community would have to be willing to abandon a state even after investing resources to stabilize a post-conflict environment.

A DEPARTMENT OF INTERNATIONAL RECONSTRUCTION AND DEVELOPMENT

The issue of reforming democracy assistance cannot be tackled effectively without rethinking the entire foreign assistance business. The F process was an effort to do this within the authorities of the Secretary of State. Any more comprehensive effort will require consideration of the funding levels, authority over the disposition of funds, and more extensive organizational reform.

Recommendations:

- 1. The next president should establish a new Department of International Reconstruction and Development. The head of this new department should be a member of the Cabinet.*

It is absolutely crucial that this department be, and be perceived as, autonomous from both the Department of State and the Department of Defense. The mandate of this new department would be very different from the traditional missions of the military and diplomacy. Its central purpose would be to nurture improved governance, economic development, and democratic consolidation. This separation of departments to fulfill different missions will help each to deepen expertise in its respective field, and also clarify to the outside world which arms of the U.S. government are doing what.

All foreign assistance resources currently funneled through other agencies and departments, with the exception of military training and assistance, should be transferred to this new department. When the U.S. government does provide direct assistance to a foreign government through this new department, it must be firmly conditioned on pursuit of development objectives. There will be situations in which the United States has a national security interest in providing an autocratic regime with military aid or antiterrorist assistance, but this aid must not be called democracy assistance or development aid.

This new department would largely absorb USAID, the State Department's Coordinator for Reconstruction and Stabilization, PRM, DRL, and INL, DoD post-war reconstruction operations, rule of law training programs currently housed in the Department of Justice, agricultural aid now located in the Department of Agriculture, Treasury technical assistance programs and primary authority over relations with IFIs, and the Millennium Challenge Corporation.

At the same time, this new department should not be responsible for providing democracy assistance (or other forms of assistance) targeted at nongovernmental organizations. To the extent possible, the U.S. government should get out of the business of funding non-governmental organizations in other countries.

- *Advantages*

- A new department would elevate development and the creation of a world of effective democracies/responsible sovereigns as a primary objective of American foreign policy
- This department would reconstitute a body of technical experts in the US government concerned with the promotion of development and democracy
- A new department could increase funding for civilian activities
- A Department of International Reconstruction and Development could help to create a coherent budgeting and implementations structure between all democracy and development organization.

- *Disadvantages*

- A new department could detach development aid from the broader objectives of American foreign policy
- A Department of International Reconstruction and Development would complicate coordination with the activities of the Defense and State Departments and this could make strategic planning much harder
- It could leave development as an orphan without firm support from members of Congress

- A new department will not guarantee that democracy and development programs will get more attention or funding.
- It is highly unlikely that a Department of International Reconstruction and Development will be created because it would require entirely restructuring the foreign aid program so it is probably not worth pursuing.
- Creating a Department of International Reconstruction and Development will be very costly and it is not likely that either of the two new presidential candidates will be willing to spend what little money they have on this. We need to think of other more realistic solutions.
- Creating a new department or organization to address every new problem is not an effective way of developing. We need to work to improve our existing infrastructure before we start creating new organizations.

ADDITIONAL RECOMMENDATIONS

4. Establish clearly defined goals

The U.S. government needs to create more clearly defined democracy and development objectives. This administration has agreed that democracy promotion is in the best interests of the United States, but it needs to establish a clearer set of objectives for its overall policy. Once the U.S. government has established a specific policy framework, then it will be far more successful at creating programs to support that policy.

5. Develop more regional knowledge

The State Department has become increasingly risk averse. No one wants a U.S. dollar to get into the hands of someone who could be corrupt and this has narrowed our ability to engage with the world. The State Department used to be very good at gathering intelligence and identifying allies, however, they have become less successful at this. The State Department needs to start to rebuild its regional knowledge and expertise in order to create more effective policies.

o Advantages

- Learning about what our goals are in certain countries and how much influence we have in certain regions is key in determining the most effective means for promoting democracy.

6. Empower and modernize the State Department and USAID

The core problem limiting the U.S. government's ability to promote democracy and development abroad is that most of its programs are hopelessly outdated. In order to help them modernize, more funding needs to be channeled to both the State Department and USAID. In addition, both organizations need to establish better recruitment procedures and incentives in order to draw in new talent (including personnel from abroad).

7. Implement the Advancing Democratic Values Act

The Advancing Democratic Values Act would institutionalize and require democracy liaisons to be present in all regions. This act could be used by future administrations to protect democracy promotion activities in all regions.